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Financial Digest

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Analysis of Business Trends Plus Selected Financial Indicators

Aquaculture Gets A Boost . . .

Aquaculture is a thousand-year-old art that is rapidly being transformed into a "sunrise" industry—and a science. Rising consumer demand for foods with low-fat content is boosting the sale of fish and chicken often at the expense of beef and pork. At the same time, the growing affluence of many countries is allowing more consumers to buy fish which is often more expensive than meat. Yet, because of overfishing and increasing pollution plaguing the world's bodies of water, the fish harvest is not rising nearly as quickly as demand. This has opened a window of opportunity for "aquaculture"—the artificial growing and feeding of fish, crustaceans, mollusks and marine plants in inland or coastal ponds and tanks. What is more, this window is expected to remain wide open, since widespread fish farming is only now beginning, and present trends indicate that the share of fish consumption accounted for by aquaculture could rise from seven percent currently to around 20 percent by the turn of the century.

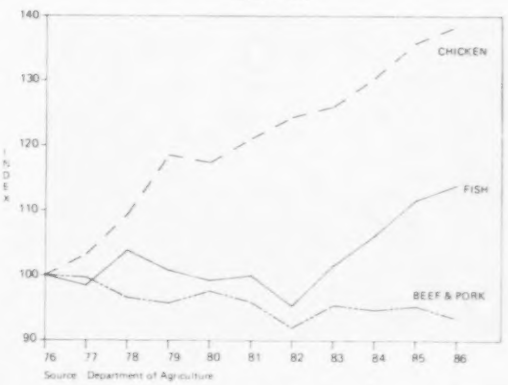
World fish production for human consumption, which accounts for some 70 percent of total fish output, amounted to just about 60 billion metric tons in 1985. This was up 1.5 percent from the previous year and a sizable 22 percent compared with nine years earlier—a compounded 2.2 percent annual growth rate. The other component of world output—fish for nonhuman consumption—is used to produce oils and meals that are eventually turned into animal feeds, perfumes, medicinal preparations and other products.

The fresh fish component of all fish marketed for human consumption has trended downward in recent years, dipping to 25 percent in 1985, compared with nearly 30 percent a decade earlier. As the world's major fish-consuming markets—Japan, the U.S. and Europe—have produced smaller quantities of fish from their own or nearby waters, they have had to import more frozen fish. The proportion of chilled and frozen fish consumed has now climbed to 34 percent from about 30 percent a decade earlier. Cured and canned fish, meanwhile, has remained stable in importance, accounting for about 40 to 42 percent of human consumption in the past decade.

. . . From Limits To Natural Supplies . . .

World fish trade has grown steadily as a result of dwindling production by major consuming nations. In 1985, 35 percent of the global output was traded internationally, up from about 28 percent one decade earlier. In value terms, world fish imports amounted to $18.3 billion in 1985. This was

PER CAPITA CONSUMPTION OF FISH, BEEF, PORK AND CHICKEN
(1976 = 100)



Source: Department of Agriculture

composed of $7 billion for fish in fresh, chilled or frozen forms; $5.9 billion for crustaceans; and more than $5 billion for cured, canned, or manufactured fish and crustaceans for both direct human consumption and other uses.

Japan and the U.S. continue to be the world's largest importers. Their import purchases amounted to $4.7 billion and $4.1 billion, respectively, in 1985. Trailing distantly behind were France, Italy, the United Kingdom and Germany. Hong Kong was next, importing a surprisingly large $820 million worth of fish in 1985, most of it probably re-exported to China.

Inadequate domestic production led to large fish trade deficits in 1985 for Japan, at $3.9 billion, and the U.S., at $3.0 billion. The Western European countries had considerably smaller, although still significant, deficits, reaching nearly $700 million for France.

On the export side, Canada led the world in 1985, with overseas sales of fish totaling

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$1.4 billion, followed by the U.S. ($1.1 billion), Denmark, Norway and Japan. South Korea and Thailand, which ranked next and are the only developing countries in the top ten list of fish exporters, sold $800 million and $700 million worth of fish, respectively. Yet, they managed to realize significant fish trade surpluses–about $700 million and $550 million, respectively–since the import bills of these countries, and most other developing countries for that matter, for fish are relatively small.

. . . And Growing Health Concerns

The bright prospects for aquaculture arise from trends in both demand and supply. In the U.S., health concerns have led to an 18 percent rise in annual fish consumption over the last decade, to nearly 15 pounds per person in 1986 (see chart on page 1). However, this was still far below the much higher consumption levels of chicken, at about 60 pounds per person last year, and beef, around 80 pounds per person, but declining.

Some analysts believe that U.S. fish consumption could double to about 30 pounds per person annually by the early 1990s. But, since each additional pound of fish consumed requires the input of nearly three

Short Term Paper Outstanding

(Millions of Dollars)

Time Deposits of $100,000 or more Weekly Reporting Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (7/1/87)	162,406	– 4,277	+ 9,888
New York City (7/8/87)	36,914	+ 1,026	+ 3,722
Commercial Paper (7/8/87)	345,212	– 3,613	+ 30,867

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (7/1/87)	277,838	+ 2,242	+17,832
New York City (7/8/87)	58,819	– 791	+ 2,763

Total Loans and Leases Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (7/1/87)	805,836	+10,980	+62,564
New York City (7/8/87)	173,497	– 7,143	+13,317

Financial Markets

	Friday 7/17/87	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	5.70%	– .05	– .13
180-Day Bills†	5.84	+ .19	– .15
Longest Bills†	6.50	+ .02	+ .39
Recent Issues:			
7 3/8S 6/30/89	7.29	+ .04	
7 7/8S 6/30/91	7.80	+ .03	
8 1/2S 5/15/97	8.33	+ .03	
8 3/4S 5/15/17	8.54	+ .09	
Municipals:			
Bond Buyer–20 Bond Index* (7/16/87)	7.66%	– .01	+ .21
Blue List Total ($ Million)	$1,453	+ $ 44	–$ 689
30-Day Visible Supply ($ Million)	$2,284	+ $207	–$4,288
Total	$3,737	+ $251	–$4,977
Corporates:			
Moody's Aa Composite (7/16/87)	9.60%	+ .01	+ .35
30-Day Visible Supply ($ Million)	$5,017	+ $510	+$1,911
Stocks:			
Dow-Jones Averages:			
Industrials	2,510.04	+ 54.05	+732.06
Transportation	1,045.71	+ 10.15	+318.46
Utilities	204.97	– 1.39	+ 4.49
65 Stocks	931.92	+ 13.41	+243.92
N.Y.S.E. Composite Index	176.67	+ 3.10	+ 40.33
N.Y.S.E. Avg. Daily Vol. for Week (000's)	192,573	+ 6,427	+42,407

*34% Taxable equivalent 11.61%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 7/17/87	Week Ago
Overnight	6.38%	6.44%
1 month	6.63	6.75
3 month	6.75	6.81
6 month	6.94	7.00
1 year	7.25	7.31
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 yrs.)	8.39%	8.39%
Long Term (10 yrs.)	9.06	9.12

FOREIGN EXCHANGE SPOT RATES

New York Opening (7/17/87)	Currency Per U.S. $	Week Ago
Canada	1.3192	1.3210
France	6.1670	6.1450
Germany	1.8530	1.8456
Italy	1341.00	1338.00
Japan	152.40	150.70
Mexico	1381.00	1369.00
Switzerland	1.5435	1.5405
U.K.*	1.6165	1.6135

*U.S. $ per U.K. pound

MH TRADE-WEIGHTED DOLLAR (7/17/87) (Adjusted for Inflation)	Change Since Week Ago	Change Since 2/27/85
	+0.6%	–3.3%

pounds of live fish, just a one pound per person upturn in annual fish consumption would require the harvest of a whopping 700 million more pounds of fish from the ocean at today's population level. Yet, one major U.S. fishery, the waters off New England, yields only about 100 million pounds of haddock and cod each year. To fulfill future demand, more fish must obviously be grown on farms to supplement the scarce supply of marine-caught fish. This is the present challenge, as well as opportunity, for the world aquaculture industry.

It is also the same challenge that molecular biologists are seeking to surmount in a different way—through genetic engineering. Japanese scientists are working hard, for instance, to develop various types of "super-fish" that are able to grow larger and faster under cultured or natural environments. That effort, if successful, could be a double-edged sword, however. While it would make fish more abundant, it could, at the same time, give rise to the spectre of potential oversupply—an affliction of many commodity markets. But that's down the road, and until definite breakthroughs are made, the current outlook suggests a strong profit potential for aquaculture. ■

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 7/15/87	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	216.922	– 1.074	+20.632
Loans to Depository Inst.	.673	– .045	– .151
Float	.695	– 1.723	+ .399
Total Reserve Bank Credit	234.077	– 2.663	+20.587
Treasury Deposits with Federal Reserve Banks	5.685	+ .820	+ 1.693
Currency in Circulation	217.243	+ .342	+15.676
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	179.371	– 2.111	+28.098
	7/15/87		
Member Bank Reserves:			
Total Reserves Held	58.550	+ 1.055	+ 7.705
Excess (Deficiency)	.428	– 1.144	– .251
Net Borrowed Reserves	.007	+ 1.012	+ .370
Monetary Aggregates †		**% Change Since 3 Months Ago***	**% Change Since Year Ago**
M1 (7/6/87)	749.9	+ 3.8‡	+ 11.6‡
M2 (June '87)	2,842.8	+ 2.6	+ 6.6
M3 (June '87)	3,570.1	+ 5.3	+ 7.0
Domestic Nonfinancial Debt (1st Q'87)	7,805.2	+ 6.4	+ 11.7

†Seasonally adjusted.

*Seasonally adjusted annual rate.
‡Four-week moving average.

New York Money Market

Offering Rates 7/17/87	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	5.56%	5.57%	6.09%
* Federal Agencies	6.38	6.42	6.49
* Municipal Notes—High Grade (34% Taxable Equivalent)	5.76	6.36	6.44
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	6.61	6.76	7.24

‡Finance Co. Paper—Prime

5- 14 days	6.35%
15- 29 days	6.40
30- 59 days	6.40
60- 89 days	6.40
90-179 days	6.58
180-239 days	6.60
240-270 days	6.60

‡* Bankers' Acceptances

Aug.	6.48%
Sep.	6.48
Oct.	6.48
Nov.	6.53
Dec.	6.53
Jan.	6.53

‡Industrial Paper—Prime

30- 89 days	6.52%
90-120 days	6.55

†Federal Funds Effective Rate 6.55%

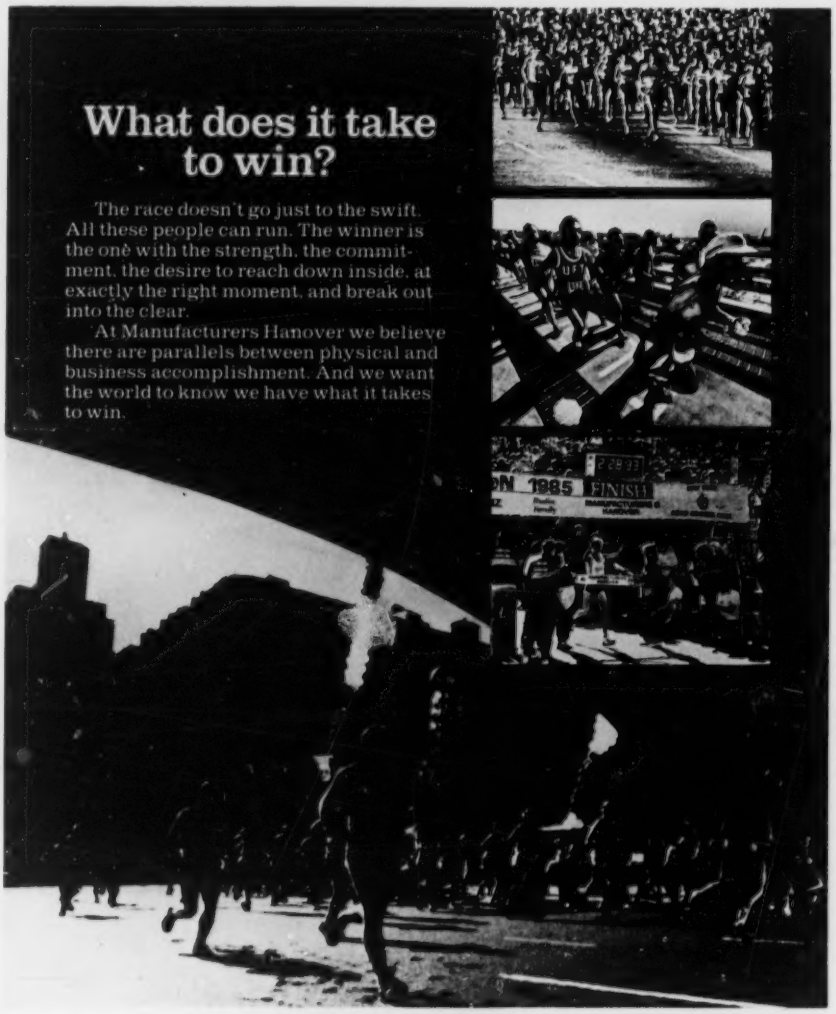
‡Discount basis. *Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	1st Q'87	$ 4,352	$ 4,259	$ 4,149
Gross National Product (1982 Dollars)*	1st Q'87	$ 3,739	$ 3,696	$ 3,656
Percent Change, Annual Rate	1st Q'87	4.8	1.1	3.8
Change in Consumer Prices*	May '87	3.6% (1)	4.8% (1)	2.4%
Change in Producer Prices*	Jun '87n	2.4%	3.6%	2.4%
Civilian Employment (Thousands of Persons)†	Jun '87	112,257	112,447	109,613
Unemployment as % of Civilian Labor Force†	Jun '87	6.1%	6.3%	7.1%
Personal Income*	May '87	$ 3,630	$ 3,622	$ 3,481
Leading Indicators Composite Index (1967=100)†	May '87	189.3	187.9	178.5
Industrial Production Index (1977=100) †	Jun '87n	128.2	128.0r	124.2
Net Change in Consumer Installment Credit †	May '87n	–$ 0.56	$ 3.68r	$ 4.24
U.S. Merchandise Trade Balance	May '87n	–$ 14.40	–$ 13.32	–$ 13.13
Plant and Equipment Expenditures*	3rd Q'87	$397.06(a)	$392.02(a)	$374.55
Private Housing Starts (Thousands of Units)*	Jun '87n	1,590	1,602r	1,842
New Construction Expenditures*	May '87	$ 398.6	$ 397.3	$ 374.5
Total Business Inventories †	May '87n	$ 670.4	$ 665.9r	$ 652.9r
Total Business Sales †	May '87n	$ 445.2	$ 444.4r	$ 417.5r

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.
(1) Indicates new series.


What does it take to win?
The race doesn't go just to the swift. All these people can run. The winner is the one with the strength, the commitment, the desire to reach down inside, at exactly the right moment, and break out into the clear.
At Manufacturers Hanover we believe there are parallels between physical and business accomplishment. And we want the world to know we have what it takes to win.
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